



Date: June 26, 2020
To: Navigator Schools Board
From: Kevin Sved, CEO
Subject: Proposed 2020-21 Enrollment Plan

Background

On June 16, 2020 the Board approved a 2020-21 budget that was based on enrollment assumptions as outlined in Table 1 below.

Table 1: Planned student enrollment

	2019-20	2020-21 Budgeted	Projected Increase
GPS (K-8)	539	568	29
HPS (K-8)	541	568	27
WPS (K-2 in 2019-20, K-3 2020-21)	168	228	60
Total	1,248	1,364	116

As of June 26, 2020, budget trailer bill AB 77 is being considered for approval by the state legislature. If approved in the current form, Local Control Funding Formula (LCFF) allocations for 2020-21 will be based on enrollment from 2019-20. This is intended as a “hold harmless” related to 2020-21 enrollment and student attendance rates, allowing public schools to maintain stability despite the challenges posed by COVID-19. At this time, the AB 77 does not have a provision to allow for public schools that are growing in 2020-21 to receive additional LCFF revenue based on the enrollment and attendance of new students. The charter school communities and several school districts that are anticipating increased enrollment are encouraging the governor and legislators to address this matter before the budget is required to be signed by the governor on June 30, 2020.

A related state budget change is eliminating the planned -10% COLA from the Governor’s May Revise, and instead increasing the amount of the revenue deferrals planned for 2020-21.

Analysis

If there is not a provision to address public school growth in the proposed 2020-21 state budget, the fiscal impact for WPS would be a reduction of approximately \$465k in projected LCFF funding. This estimate incorporates the favorable adjustment of the eliminated -10% COLA

from the Governor's May Revision. The options for WPS to plan for a scenario in which this budget issue is not addressed in the approved state budget are

1. Cancel plans for enrollment growth next year and reduce operating costs by not adding staff and other expenses related to serving more students, with significant disruption to plans in 2020-21 and beyond.
2. Maintain current enrollment plans and determine other means to make up the projected revenue shortfall.

Delaying an increase in enrollment will disrupt long-term growth plans and cause irreparable disruption to WPS, as new students have already been enrolled for 2020-21 and new staff have already been hired. While an approximate \$465k negative impact will be a significant hardship, the expected forgiveness of the Paycheck Protection Program loan will be a source that will help offset this hardship, with a resulting 2020-21 deficit of approximately \$75k as outlined in Table 2 below. Additionally, due to the strong pressure to be applied by the charter school community, there is reason to believe that the cap on enrollment growth will be lifted prior to the state budget being adopted, or in August 2020 when the state budget is expected to be revised. However, in planning for the worst case in which the cap on enrollment growth is not adjusted, staff is seeking Board support in maintaining the current enrollment growth plan for Watsonville Prep, with additional budget details to be addressed in a future budget revision. A general plan to address this potential shortfall is outlined in Table 2 below.

Table 2, Proposed Strategy to Address Potential Shortfall for Watsonville Prep

June 16, 2020 Approved Budget Net Income	\$ 163,000
<i>Adjustment if State Budget school growth revenue is not fixed</i>	<i>\$ (465,000)</i>
Paycheck Protection Program, WPS Allocation	\$ 227,139
Revised Net Income	\$ (74,861)
Strategies to address the ~\$75k deficit include:	
1) Increase fundraising	
2) Loan from the CMO	
3) Continued lobbying of the state to pay for enrollment growth	

The modest projected enrollment growth for GPS and HPS will be completely offset by the favorable LCFF adjustment in the state budget, thereby eliminating the need for increased enrollment.

Recommendation

It is recommended that the Board approve the following enrollment plan for Navigator Schools for 2020-21: Gilroy Prep, 540 students; Hollister Prep, 540 students; and Watsonville Prep, 228 students.